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RULSDMK/DEPT OF TRANSPORTATION WASHDC  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RUEAHLC/HOMELAND SECURITY CENTER WASHINGTON DC  
RUEAIIA/CIA WASHINGTON DC  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
RHEFDIA/DIA WASHINGTON DC  
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RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/SECDEF WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 LAGOS 001030

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TAGS: EPET PGOV ASEC PTER PINR NI

SUBJECT: SHELL AIMS FOR A YEAR-END PRODUCTION START FOR  
FORCADOS, WESTERN DELTA

REF: A. LAGOS 1020

- 1B. LAGOS 1001
- 1C. ABUJA 971
- 1D. LAGOS 430
- 1E. LAGOS 249

Classified By: Consul General Brian L. Browne for Reasons 1.4 (D & E)

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Summary  
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11. (C) In a recent meeting with the Consul General, Shell Exploration and Production Executive Vice-President Ann Pickard, Shell's ranking executive in Nigeria, said Shell was negotiating re-entry and new global Memorandums of Understanding (MOUs) with communities in the Forcados area, which was shut down by militant activity in February. Shell hoped to re-start operations and exports from these areas by the end of the year, but Pickard admitted this was "very ambitious". Meanwhile, Pickard has launched both a comprehensive re-organization of the Shell Petroleum Development Company (SPDC) and Shell's security apparatus. Among the changes, Pickard wants to make sure that her staff in Lagos was fed more security information from their people on the ground in the Delta. Shell security will now report directly to her staff. Finally, Pickard complained that different departments within the USG had different perspectives regarding training and assistance for the Nigerian military and police in the Delta. Although buffeted and feeling the heat of incessant Nigerian demands for military assistance, neither Shell nor other oil companies could afford to "get out in front of the USG" on these very delicate assistance issues, she contended.

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Shell Hopes to Re-Start Western Operations by  
End of the Year, but Grants Target is Ambitious  
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12. (SBU) In a recent meeting with the Consul General, Shell's Ann Pickard said Shell was moving to re-enter its

western operations region, vacated in the wake of the February attacks by the Movement for the Emancipation of the Niger Delta (MEND) (reftels D and E). Shell's first task was to conduct environmental assessments, followed by full technical assessments of damaged facilities. To date, Shell has conducted limited day trips and unmanned overflights, but has made no complete estimate of the damage. Shell would then develop a rehabilitation plan, but joint venture partner and national oil company Nigerian National Petroleum Corporation would have to fund its majority stake in rehabilitating the facilities. Pickard noted Shell hoped to re-start operations in the west by the end of the year, but granted this schedule was "very ambitious." Repair of the Forcados Export Terminal's Crude Loading Platform (CLP) was key to recouping approximately 500,00 barrel/day of the Forcados Light blend exports, but other facilities would also need extensive repair and servicing after sitting idle and unguarded for months.

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Anecdotes Suggest Extensive Environmental Damage  
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¶13. (SBU) Anecdotal evidence from industry personnel suggests environmental damage from the early 2006 attacks may well be extensive, as Shell was forced to hurriedly abandon facilities under violent attack. In conversations with industry executives who have flown over the Forcados and nearby rivers, they note huge visible oil slicks. If history proves any guide, oil bunkerers have likely penetrated abandoned Shell facilities to tap wellheads and pipelines, leading to additional environmental damage. Extensive environmental damage could delay Shell's plans to re-start production and complicate relations with local communities.

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Shell Negotiating Re-entry and Global Memorandum of Understanding with Western Region Communities  
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¶14. (C) Pickard noted Shell was carefully negotiating with local communities about restarting its operations around Forcados. She reported they were close to agreement and had not heard rumblings from the militants (reftel A). She observed that Shell was now compelled to re-negotiate re-entry with "MEND characters". She described these interlocutors as a small group of ideologues joined in a marriage of convenience with militant and criminal elements operating in the creeks. Pickard stated Shell would only re-enter an area once the local community invited them back, but communities were hurting economically after Shell's abrupt departure and many were eager for its return.

¶15. (C) Taking a cue from Chevron, Shell was moving to a "global Memorandum of Understanding (MOU)," negotiating standardized agreements with communities in increasing concentric circles around key Shell facilities. In the past, it executed ad hoc, vastly different agreements with different communities, depending on the importance of the community and the avarice or sagacity of its leaders. The Global MOUs would emphasize a consistent approach and package of benefits for communities in a region, rather than allowing one host community significant benefits, to the exclusion of others. Pickard asserted Shell faced a more difficult task negotiating agreements than other companies, because of the sheer breadth of its operations. Where Chevron negotiated with two major ethnic groups, Shell negotiated with literally dozens, she added. Nonetheless, Pickard appeared committed to the new global MOU approach.

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SPDC, Shell Security Due for Overhaul;

Shell Security to Report Directly to Pickard

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¶ 6. (C) Discussing Shell Nigeria's internal operation, Pickard outlined two serious re-organization efforts. First, she planned a large-scale re-organization of the Shell Petroleum Development Company (SPDC), Shell's flagship joint-venture company, responsible for most Shell production in Nigeria. However, SPDC has not been meeting Shell's international performance benchmarks, and Pickard saw the deficit as being a fillip for substantial organizational reform.

¶ 7. (C) Pickard also discussed challenges in managing Shell's security apparatus. She acknowledged some frustration in dealing with Shell security staff, saying the staff on the ground were well-connected, but somehow much of that valuable informative was not reaching her. Pickard pointedly said she was re-organizing Shell security for "performance reasons," placing four well-trusted and direct-report expatriates in charge, to ensure that pertinent information gathered on the ground finds its way to her desk.

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All Ijaw Discussions Shadow Obasanjo's  
Public Delta Commission

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¶ 8. (C) Pickard briefly discussed President Obasanjo's social and economic development commission for the Delta headed by Chief Albert Horsfall (reflets B and C). She related Shell Country Chair Basil Omiyi is heavily involved in this process. She noted after complaints, President Obasanjo had altered the formal commission to reflect a majority Ijaw and South-South membership, but there is also

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parallel track of shadow discussions with Ijaw leaders. She added Malcolm Brinded, Shell's worldwide Executive Director of Exploration and Production, serves on an advisory council for President Obasanjo on Delta issues.

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Shell Needs to Talk Over Militants,  
Heads Directly to Communities

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¶ 9. (C) Pickard explained the need for Shell to talk "over the militants' heads" directly to Niger Delta communities. For now, Pickard assessed the militants were successful because they operated in communities sympathetic to their cause. If a coalition of oil companies, the GON, state governments, and development partners could launch a few successful programs and build credibility, they could begin to place a wedge between the militants and the people of the Niger Delta. The coalition could then begin to strip away the militants' public support and their comfortable operating environment.

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Oil Companies need a Consistent USG Message  
on the Delta, Military and Police Assistance

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¶ 10. (C) Pickard stated the USG did not yet speak with one voice regarding potential commitment to security assistance for the GON in the Delta. Pickard explained when Shell executives attend meetings for the Gulf of Guinea Security Initiative in London and Washington, they do not hear a consistent message from USG agencies regarding our willingness to assist with training and assistance for the Nigerian military and police. She added assistance from the Coast Guard would be particularly useful. Absent clearer political signals from the USG, she noted all oil companies would remain noncommittal. This was putting them in hot

water with the GON, which is constantly importuning for funds to improve their military and police capabilities. Pickard expressed hope the USG and HMG might eventually cooperate on programs for development of the Nigerian military and police.

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Comment  
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¶11. (C) Pickard knows the company faces a uphill road in its efforts to restart Forcados and associated operations. For Shell to succeed, much will have to go right within the constellation of Niger Delta politicians and militants, and very little wrong. However, given the volatility of the militant groups and the increased excitement due to elected politicians, a betting person would not place his wager on the Delta being quiescent indefinitely. We would not count on a permanent return to international oil markets of Nigeria's missing 500,000 barrels of Forcados Light for some time to come. Despite Shell's best efforts to negotiate itself back into the area, this might not be something Shell can do alone. This could well be dependent on the need for a deal, even informal, between the GON and the militants. Such a deal would almost inherently encompass much more than is within Shell's purview to give.

BROWNE